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FIRST HOME BUYERS

The information for this article has mostly been taken from the 1988 Housing Survey and the 1997-98 Survey of Income and Housing Costs.

Income units are single persons, or groups of related persons within a household whose income is assumed to be shared. Income sharing is assumed to take place within couples and between parents and dependent children. It is assumed that decisions concerning the purchase of a home are also generally made by adults in such units.

Owner occupiers are income units who own their home, with or without a mortgage. First home buyers are a subset of owner occupiers.

First home buyers are income units who bought their first home in the three years prior to the survey reference period. To be regarded as a first home buying income unit, neither the income unit reference person nor the income unit reference person's spouse could have owned a home previously in Australia.

Changeover buyers are income units who bought their home within the same periods described for first home buyers. However, the income unit reference person and/or the income unit reference person's spouse had owned a home previously in Australia.

Over the last decade or so a lower proportion of young Australians have embraced home ownership than previously. Between 1988 and 1997-98, home ownership rates among income units in which the age of the reference person was 25-34 declined from 42% to 34% (table 8.7). Substantial declines were also evident among those aged 35-44, 70% in 1988 compared to 62% in 1997-98.

This trend is in part associated with changing patterns of family formation among young people. They are staying in education longer, delaying marriage, and having their first child later in life¹. Consistent with these changes, young people have been delaying buying their first home. Between 1988 and 1997-98, the proportion of first home buyer income units whose reference person was aged less than 35 declined from 70% to 66%. As a result, the median age of first home buyers (median age of reference person) increased from 30.2 years to 31.5 years.

8.7 AGE DISTRIBUTION OF FIRST HOME BUYERS, AND AGE-SPECIFIC HOME OWNERSHIP RATES(a) - 1988 and 1997-98

First home buyers		All owner occupiers	
1988	1997-98	1988	1997-98
%	%	rate(a)	rate(a)

Age of income unit reference person	1988	1997-98	1988	1997-98	1988	1997-98	1988	1997-98
	%(a)	%(a)	'000	'000	'000	'000	'000	'000
15-24 years	14.6	10.7	4.6	4.1				
25-34 years	55.8	55.6	42.3	34.5				
35-44 years	19.2	22.9	70.5	61.7				
45-54 years	5.7	6.0	76.7	75.7				
55 years or older	4.7	4.8	78.4	78.1				
Total income units	100.0	100.0	53.9	54.2				
	'000	'000	'000	'000				
Total income units	391	463.4	4,095.8	4,948.2				
	years	years	years	years				
Median age	30.2	31.5	49.4	51.0				

(a) As a proportion of all income units in each age group.

Source: Unpublished data, Housing Survey, 1988; Survey of Income and Housing Costs, 1997-98.

Changing preconditions for buying the first home

Some young people purchase their first home before they establish family relationships of their own. In 1997-98, about 4% of one-person income units aged less than 35 (and slightly higher proportions of women than men) had recently purchased their first home (table 8.8). Although there were more owner occupiers among young people in this age range in 1997-98 (8%) than in 1988 (6%), there has been little change over the decade to the strongly prevailing social norm of partnering prior to purchasing property.

Of all income unit types, young couples are most likely to be first home buyers. In 1997-98, 23% of all couples in which the reference person was aged less than 35 were first home buyers. Moreover, 58% of these young couples lived in a home that they owned with or without a mortgage. Young couples who were in a registered marriage were more likely than those who were in a de facto marriage to own their home (65% compared to 40%). Nevertheless, while clearly still strong, the importance of registered marriage has diminished for making the commitment that accompanies purchasing a home. Between 1988 and 1997-98, the proportion of young de facto married couples who owned their home increased (by 11 percentage points, up from 29%), while it remained about the same among young registered married couples (1 percentage point down from 66%).

8.8 FIRST HOME BUYER AND OVERALL HOME OWNERSHIP RATES(a) - 1988 and 1997-98

Age of reference person by income unit type	First home buyers		All owner occupiers		Total income units 1997-98
	1988	1997-98	1988	1997-98	
	%(a)	%(a)	'000	'000	'000

Less than 35 years							
One person	3.4	4.3	95.5	6.0	8.4	186.2	2,207.7
Men	3.5	4.1	54.6	6.3	8.5	111.8	1,320.8
Women	3.1	4.6	40.9	5.6	8.4	74.4	886.9
Couple	20.2	23.1	202.3	61.1	57.6	505	877.3
Registered marriage	20.7	21.9	137.2	66.1	64.6	403.7	625.2
De facto marriage	16.5	25.8	65.1	29.0	40.2	101.2	252.1
35 years or more							
One person	2.3	1.7	36	59.5	55.3	1,173.5	2,120.6
Couple	2.8	3.3	112.9	85.3	85.2	2,903.4	3,406.9
Registered marriage	2.7	3.0	95.8	86.0	86.4	2,801.3	3,242
De facto marriage	(b)5.4	(b)10.4	(b)17.1	59.7	61.9	102.1	164.9
Total income units(c)	5.1	5.1	463.4	53.9	54.2	4,948.2	9,129.4

(a) As a proportion of all income units of each type.

(b) The estimate has a relative standard error of 25% to 50%.

(c) Includes one-parent income units.

Source: Unpublished data, Housing Survey, 1988; Survey of Income and Housing Costs, 1997-98.

Types and characteristics of dwellings purchased

Although separate houses have continued to be the most favoured form of housing, there has been some shift among first home buyers towards higher density housing. In 1997-98, 17% of first home buyers had purchased medium-to-high density accommodation (such as a semi-detached, row or terrace house, flat, unit or high rise apartment) as opposed to a separate house, up from 14% in 1988 (table 8.9).

8.9 DWELLING STRUCTURE CHOSEN BY RECENT HOME BUYERS - 1988 and 1997-98

Dwelling structure	1988		1997-98	
	First home buyers	Changeover buyers	First home buyers	Changeover buyers
	%	%	%	%

Separate house	85.3	85.3	81.8	85.7
Semi-detached houses and flats(a)	13.9	13.7	16.9	13.8
Total income units(b)	100.0	100.0	100.0	100.0
	'000	'000	'000	'000
Total income units(b)	391.0	600.1	463.4	646.3

(a) Includes all semi-detached, row, terrace and townhouses, flats and units but excludes houses/flats attached to shops etc.

(b) Includes income units living in a dwelling structure other than a separate house, semi-detached house or flat.

Source: Unpublished data, Housing Survey, 1988; Survey of Income and Housing Costs, 1997-98.

Between 1988 and 1997-98 there was also, among first home buyers, movement away from buying new homes towards buying homes that had been previously lived in. The proportion of first home buyers who bought a new home fell from 23% in 1988 to 18% in 1997-98 (table 8.10). This change, as well as the move away from separate houses, suggests that homes in more established areas have become more affordable and popular with first home buyers than homes in urban fringe developments.

Consistent with the national trend, first home buyers are purchasing larger dwellings as measured by the number of bedrooms. In 1997-98, 17% of first home buyers bought a home with more than three bedrooms, compared to 13% in 1988.

8.10 AGE AND SIZE OF HOMES BOUGHT BY FIRST HOME BUYERS - 1988 and 1997-98

	1988	1997-98
Age of home	%	%
New home	23.1	17.7
Established home	76.9	82.3
Number of bedrooms		
One(a)	4.2	(b)2.4
Two	23.0	23.6
Three	59.8	56.6
Four	11.8	15.4
Five or more	1.3	(b)2.0
Total income units	100.0	100.0
	'000	'000

Total income units	391.0	463.4
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(a) Includes bedsitters.
 (b) The estimate has a relative standard error of 25% to 50%.

Source: Unpublished data, Housing Survey, 1988; Survey of Income and Housing Costs, 1997-98

Affordability

The cost of purchasing a home, and of meeting the associated establishment costs, is a major issue of concern to first home buyers. In June 1999, the average mortgage of first home buyers was \$127,700². Recent first home buyers spent about the same share of their income on housing in 1988 and 1997-98 (table 8.11).

8.11 HOUSING COSTS AS A PROPORTION OF INCOME - 1988 and 1997-98

Housing tenure	1988	1997-98
First home buyers	22.5	21.4
All owners without a mortgage	3.2	3.2
All owners with a mortgage	19.6	20.0
Renters	20.5	21.1
All income units(a)	12.4	13.4

(a) Includes other forms of housing tenure such as boarding and living rent free.

Source: Unpublished data, Housing Survey, 1988; Survey of Income and Housing Costs, 1997-98.

There is no single standard method for defining people who are experiencing housing affordability problems. However, one measure used in housing research is the ratio of housing costs to income for those income units whose income is relatively low (that is, those in the bottom 40% of the income unit income distribution). Among these units, those whose housing costs consume more than 30% of their income are considered to be experiencing affordability problems³. According to this criterion, 6% of first home buyers in 1997-98 experienced housing affordability problems. Of these, 47% were one-person income units, 35% were couples with dependants, 9% were couple only income units and 8% were one-parent income units.

However, it should be noted that for some owner occupiers with a mortgage, housing affordability problems may be self-imposed. Such owner occupiers may choose to repay large amounts in the short term to acquire an asset that tends to appreciate in value over the long term.

Endnotes

- 1 **Australian Social Trends (4102.0).**
- 2 **Housing Finance For Owner Occupation, Australia (5609.0).**
- 3 National Housing Strategy 1992, **The Affordability of Australian Housing, Issues Paper No.2**, AGPS, Canberra.

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